

WORKSHOP ON LNG ACCESS ISSUES AND DELIVERABILITY OF SUPPLY

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Presentation by:

SOUTHERN CALIFORNIA GENERATION COALITION

Who is SCGC:

- Williams, Reliant, LADWP, Burbank, Glendale, Pasadena, and Imperial Irrigation District
- Approximately 12,000 MW of gas-fired capacity in SoCalGas service territory
- Generators need increased liquidity in gas markets:
 - Increased gas supply
 - Increased diversity of gas suppliers

Benefits of increased supply and supply diversity:

- Help stabilize gas prices
- Help stabilize electricity prices:
40% of California generation is gas-fired
- Reduce risk of price spikes
- Enhance use of gas-fired generation to provide reserve support for non-firm renewable resources

Access issues:

- Tanker access to terminals
- Terminal access to pipelines
- Customer access to LNG supplies at utility receipt points

Tanker access to terminals

- Avoid open access conditions that would make projects uneconomic

Terminal access to pipelines

- CPUC directs California gas utilities to insert open access provisions in tariffs (CPUC Decision 04-09-022, Sep. 2, 2004)
- SoCalGas/SDG&E Rule 39 approved with modifications (CPUC Resolution G-3376, Mar. 17, 2005)
- Awaiting CPUC action on standardized open access contracts

Customer access to LNG supplies at utility receipt points

- Currently, SoCalGas customers have flexible access to utility receipt points
 - Noncore customers can elect firm or interruptible transmission service
 - Customers can shift nominations among utility receipt points
 - Customers can take advantage of changes in price differentials among receipt points

SoCalGas' proposed "firm access rights" proposal, A.04-12-004

- Solution in search of a problem
- Would deprive customers of current flexibility
- Ties customers to specific receipt points, impedes access to others
- Especially injurious to electric generators
- Reduces market liquidity for suppliers
- To be considered by CPUC in 2006

Gas transmission and storage infrastructure adequacy

- CPUC will examine this summer in R.04-01-025 (Phase II)
- Adequate aggregate transmission system capacity, but locational congestion
 - Example: constrained Imperial Valley local transmission system
 - Example: specific receipt points – Wheeler Ridge, North Desert, and (potentially) Ehrenberg/Otay Mesa

Security of supply

- Currently, electric generator rely on a mix:
 - Pipeline capacity
 - Storage capacity
 - Flexibility to shift nominations
 - Market responsiveness to variations in demand
- ***Recommendation:*** allow individual generators to tailor their own optimal mix